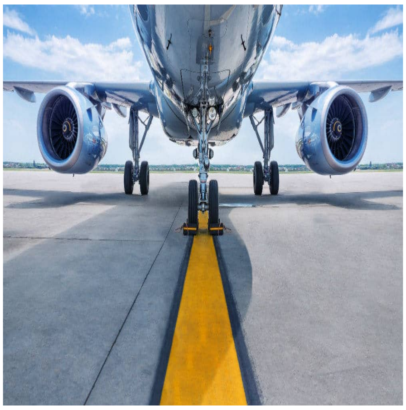

Could This Market Crash Last Over 1 Year?

Description

Just a month ago, investors did not even bother to consider the coronavirus outbreak as a possible reason for a market correction. After all, the epidemic was limited to China, and everything seemed fine elsewhere in the world.

Fast forward to now, and the picture has entirely changed. The COVID-19 disease is a pandemic spread across the world, and it is ravaging economies everywhere. The **S&P/TSX Composite Index** is down 24.25% from its February 2020 peak.

We do not just hear talk about a bear market. What is happening right now could be worse than the 2008 market crash. There are even analysts talking about a full-blown depression – the likes of which we have not even thought of for a century.

Not a 2008 repeat

The U.S. Treasury Secretary recently warned that a lack of fiscal measures could result in staggering unemployment rates. The global peak of unemployment was 25% in 1933 due to the Great Depression. The Treasury Secretary is estimating a ballpark figure of 20% if we cannot control the current situation.

An economic depression is a horrifying concept for investors to consider. In the scenario that we witnessed in 2008, the recession still afforded us the luxury of a sharp rebound. The current market crash is unlike anything we have seen before. It would be wise not to expect events to take place the same way they did 12 years ago.

The circumstances are entirely different. The fate of stock markets depends on the outcome of highly uncertain events. If there is a successful vaccine or life-saving treatment, we could see an immense rally that we have never witnessed. There is even a chance that the whole thing might blow over in the coming months.

COVID-19 is something nobody knows well enough to give proper estimates as to how long we can expect the pandemic to last. It means there is a possibility that the market correction could see a further decline.

Just because people keep bringing up the term *depression* does not mean we cannot expect good things to happen. We are all low on optimism, and the pandemic is scary, but the right economic stimulus could help mitigate the worst.

Possibility of significant returns

It might be ideal to consider companies you can invest in for the long-term potential they can offer as the markets recover. I am going to discuss **Air Canada** (TSX:AC) to this end. The market crash has made this stock incredibly cheap.

Air Canada is trading for less than three times its earnings. The earnings are going to decline this year due to the shutdown, but will recover once the pandemic ends. I cannot predict when the pandemic will end. It could take a few months, a year, or even two years. I know that when it does end, there is substantial room for Air Canada to climb in value.

Many people cannot travel for business or vacations. With so many canceled trips this year, losses will continue to mount for the stock. AC's 52-week high was $52.71 per share. At writing, it is trading for $15.16 per share.

It would not be surprising for the stock to hit its 52-week high in a few years after the pandemic ends. There is even the possibility that it will hit $60 per share as people look to travel even more down the line.

Foolish takeaway

Whether the coronavirus-fueled market crash is worse than the crash of 2008 remains to be seen. We can only know once the situation subsides. A global health crisis has far more unknown factors than a purely financial crisis, and that is why it is impossible to predict when the situation can get better.

I do believe that it will eventually subside. When the pandemic is over, people will want to travel. Investing in a stock like Air Canada right now could see your investment grow two- or three-fold as the stock gains traction.

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